



Internal Audit Plan
2019/20
MELTON BOROUGH COUNCIL



Head of Internal Audit: Rachel Ashley-Caunt

INTERNAL AUDIT PLAN 2019/20

1. Introduction

- 1.1 This report sets out the proposed work of Internal Audit at Melton Borough Council for 2019/20 for review and approval by the Governance Committee.
- 1.2 Internal Audit provides independent assurance designed to add value and support the Council in achieving its priorities and objectives. To deliver this, Melton Borough Council commissions 235 days for delivery of the Internal Audit service on an annual basis.
- 1.3 The provision of assurance services is the primary role for Internal Audit in the UK public sector. This role requires the Head of Internal Audit to provide an annual Internal Audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 1.4 Internal Audit also provide consultancy services which are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion. Any proposed consultancy work is clearly specified as such on the Audit Plan.
- 1.5 In setting the annual Audit Plan, the Public Sector Internal Audit Standards require:
- The audit plan should be developed taking into account the organisation's risk management framework and based upon a risk assessment process undertaken with senior management and the Audit Committee;
 - The audit plan should be reviewed and approved by an effective and engaged Audit Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
 - The Head of Internal Audit should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.

2. The Audit Plan

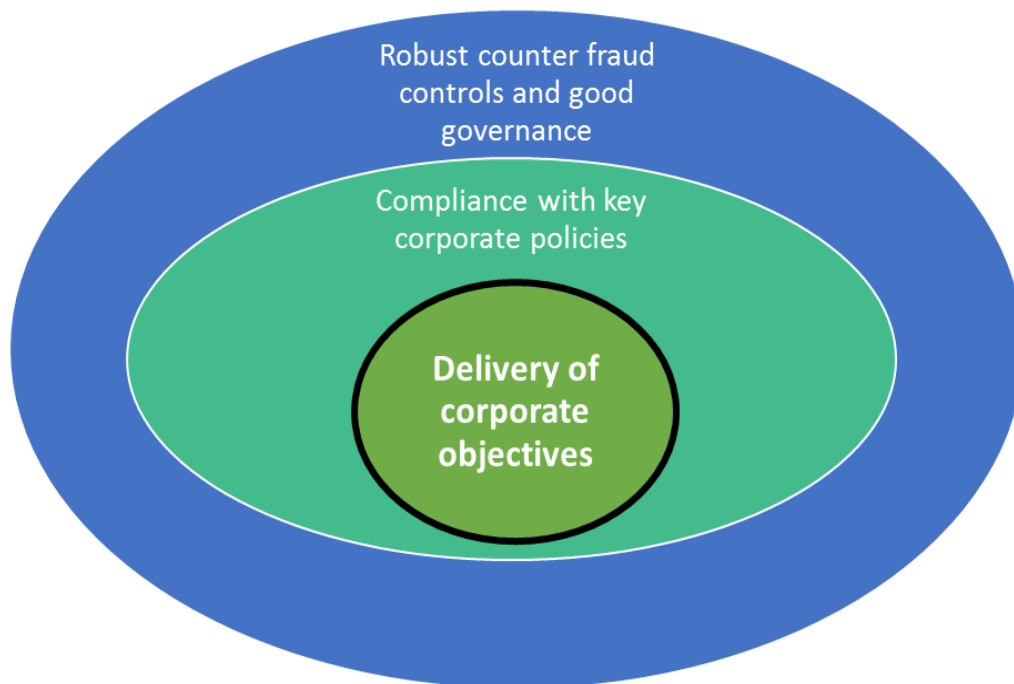
- 2.1 The Audit Plan covers the two key component roles of Internal Audit:
- The provision of an independent and objective opinion to the Section 151 Officer/ Head of Central Services and the Governance Committee on the degree to which risk management, control and governance support the achievement of Council objectives; and
 - The provision of an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.
- 2.2 At the centre of the organisation, is the core delivery of the Council's corporate objectives and corporate plan. The risk based audits are focused upon providing independent assurance over the controls in place to manage risks faced in achieving these objectives.
- 2.3 In order to protect the Council in delivering these objectives, it is essential that the Council's key corporate controls and policies are operating effectively to prevent the risk of financial loss, failure to comply with legislation, lack of accountability and reputational damage. These controls

and policies range from key financial controls and systems to health and safety policies, from data management to procurement rules. These policies and controls must be complied with by all service areas to secure the Council's standing.

2.4 Further protecting and underpinning the Council's ongoing delivery of its objectives are robust counter fraud controls and good governance. Without these, the Council would be exposed to the risk of fraud and corruption (both internally and externally), uninformed or non-transparent decision making, loss of accountability and direction, poor risk management and failure to embed and demonstrate ethical behaviours and values.

2.5 As such, the Audit Plan is designed to deliver independent, objective assurance on each of these areas – which are vital to the successful delivery of the Council's objectives and services. See Exhibit 1.

Exhibit 1. Assurance areas



Value for money

2.6 In addition to assurance over governance, risk management and controls, the Audit Plan should also provide assurance over the Council's delivery of value for money. Assurance over value for money is embedded within each audit assignment.

2.7 The National Audit Office¹ refers to the following three key requirements in relation to value for money, which will form areas of assurance in the risk based audits proposed for 2019/20, as applicable to the risk area:

- **Informed decision making**

¹ Auditor Guidance Note 3 Auditors' Work on Value for Money Arrangements (November 2015)

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance;
 - Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management;
 - Reliable and timely financial reporting that supports the delivery of strategic priorities; and
 - Managing risks effectively and maintaining a sound system of internal control.
- **Sustainable resource deployment**
 - Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions;
 - Managing and utilising assets effectively to support the delivery of strategic priorities; and
 - Planning, organising and developing the workforce effectively to deliver strategic priorities.
 - **Working with partners and other third parties**
 - Working with third parties effectively to deliver strategic priorities;
 - Commissioning services effectively to support the delivery of strategic priorities; and
 - Procuring supplies and services effectively to support the delivery of strategic priorities.

2.8 The proposed Audit Plan for 2019/20 will provide assurances over these key areas within the context of the assignments detailed.

3. Planning process

2.9 In order to ensure that the Audit Plan for 2019/20 addresses the Council's key risks and adds value, the Head of Internal Audit has identified and prioritised the areas for coverage by:

- Reviewing the Council's Risk Registers and Corporate Plan;
- Undertaking an assurance mapping exercise against the risks identified to highlight any gaps in the assurance framework and identifying any other sources of assurance for each of the Council's key risks, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
- Identifying any areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the last four years;
- Paper to the Governance Committee in November 2018 to agree the audit planning process and consult Members on any areas where assurance is sought; and
- Meeting with members of Management Team to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.

2.10 The process has also incorporated consideration of potential audits which can be undertaken by drawing upon similar emerging themes from the Councils across LGSS.

2.11 Following this consultation and review, a Draft Internal Audit Plan has been compiled and is provided in Table 1. Also provided, in Table 2, is a reserve list of audit assignments which were considered for inclusion in the plan but, following consultation with management, it has been agreed that these are lower risk or would be of greater value in 2019/20. If the risk environment changes during 2019/20, the Audit Plan can be amended and these assignments can be re-assessed for possible coverage.

2.12 In order to ensure the Audit Plan addresses the Council's key risks and that the service is able to respond to any in year changes to the organisation's business, risks, operations, programs or systems, it is vital that the content of the Plan be subject to ongoing review throughout the

financial year. To enable the service to be responsive and ensure all audit resources are used effectively and add maximum value, it is recommended that arrangements be agreed to allow changes to the Plan to be made between committee meetings, involving consultation between the Head of Internal Audit, the S151 Officer and the Chair of the Governance Committee.

3 Resources

- 3.1 The audit assignments for all of the LGSS clients are delivered by a team of audit staff including a mix of highly regarded professional qualifications (including ACCA, CIPFA and IIA) and extensive experience in the public and private sector. Absences and resource gaps/vacancies can be filled by the wider LGSS team, providing the resilience and stability of a shared service.
- 3.2 Efforts are constantly made to ensure all clients benefit from the shared service arrangement. This includes achieving efficiencies in delivering assignments, sharing of knowledge and experience and opportunities to deliver cross-cutting reviews.
- 3.3 On an annual basis, the Head of Internal Audit completes a self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards. In doing so, the Head of Internal Audit must consider whether the resource base and mix is adequate and would highlight to the S151 officer and Members if there were any concerns that the resources in place could not provide the required coverage to inform the annual Assurance Opinion.

Table 1: Draft Internal Audit Plan 2019/20

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing
Corporate Governance and Counter Fraud	Procurement compliance To provide assurance over compliance with contract procedure rules in the purchasing of goods and services, to prevent fraud/corruption and secure value for money.	6	Q4
	Social housing fraud (consultancy) To provide some support to the Council in reviewing their social housing fraud arrangements and giving specialist advice on developing robust procedures for prevention and detection.	5	Q2
Key Corporate Controls and Policies	Key Financial Controls To provide assurance over the design and compliance with key controls across the Council’s key financial systems – to include key controls on housing rents.	15	Q4
	Complaints and compliments management To provide assurance over the consistent and effective handling and recording of complaints and compliments received by the Council – following introduction of new policy.	12	Q2
	Assets of Community Value To provide assurance over consistent compliance with policy and regulation in the handling of nominations for assets of community value.	12	Q1
	Licensing enforcement To provide assurance over consistent application of the enforcement policy in relation to licensing.	12	Q3
	Website management (consultancy) To review the maintenance of the Council’s webpages to ensure these are user friendly, up to date and subject to appropriate security controls.	10	Q1
	Establishment changes To provide assurance over the consistent and timely update of the Council’s establishment records to reflect changes in structures and roles and support informed decision making.	7	Q1
Corporate Objective: Place	Management of capital projects To provide assurance over the management of key capital projects in the Growth and Regeneration directorate. To be further defined following corporate review of projects planned for the year ahead.	15	Q2
	S106 monitoring To provide assurance over the effective monitoring and application of s106 monies and to follow up on recommendations made in the 2016/17 audit review and in line with the new Developer Contributions	12	Q1

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing
	policy.		
	Landlord health and safety To provide assurance over the consistent completion of inspections such as gas, electricity and fire risk assessments and to ensure the Council effectively promotes and communicates key health and safety messages to residents.	15	Q1
	Housing repairs To provide assurance over the management of this new contract and whether key controls are being effectively applied to ensure value for money and quality of service. To include assurances over work on void properties.	15	Q3
	Contractor health and safety To provide assurance over controls in place to ensure that organisations/companies the Council has contracts with, providing services on its behalf, comply with health and safety legislation.	12	Q2
	Environmental maintenance – management of customer demand and service related issues (consultancy) To review how the Council captures, processes and delivers against customer demand and service related issues arising in waste and environmental maintenance services. To follow process of customer management from contact to resolution of issues, including communication with contractors.	10	Q3
Corporate Objective: People	Effectiveness of case management arrangements To provide assurance over the consistency and effectiveness of case management arrangements across the People’s directorate. Following previous work on Me and My Learning, this assignment will focus on the intensive housing management service.	12	Q1
	Homelessness Reduction Act To provide assurance that the Council is meeting its statutory duties under the Homelessness Reduction Act.	10	Q2
Support to Melton Borough Council	Including support and reporting to Governance Committee, management support and engagement, ad-hoc advice and assistance, annual Internal Audit report, follow ups on audit recommendations and partnership working with external auditors.	35	
Management & development of delegated Internal Audit service	Development and management of Internal Audit service in line with the Public Sector Internal Audit Standards, including annual standards assessment, continuous improvement, internal audit charter and manual, management, training and development of the team and performance reporting.	20	

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing
Total days		235	

Table 2: Reserve list 2019/20

Audit area and basis for lower priority assessment	Reasoning and action to be taken if not covered in 2019/20 Audit Plan
Building control	Highlighted by Internal Audit as area with no coverage in recent years. Assessed as lower risk than other proposed assignments – to include in audit planning for 2020/21.
Housing allocations	Concerns raised by Governance Committee but related primarily to policy rather than compliance with this policy and, as such, may be better addressed through inclusion on Scrutiny forward plan.
Empty homes (private properties) in the borough	Highlighted by Governance Committee – nature of concerns raised may be better addressed through inclusion on Scrutiny forward plan.
Corporate enforcement policy	To provide assurance over the consistent and effective application of the corporate enforcement policy across Council services. May be of greater value in 2020/21 following embedding of new policy – to include in audit planning for 2020/21.
Implementation of new customer facing systems (consultancy)	To provide initial support under ad-hoc advice and support and revisit plan during the financial year to consider whether further support would be of value.
Community Safety Partnership	Highlighted by senior management as potential area of risk. Assessed as lower risk – to include in audit planning for 2020/21.
Implementation of actions from Planning Service review	Following recent review it may be of value to review implementation of the actions. This may, however, primarily be delivered through Member scrutiny and, as such, no audit coverage planned at this point. To be revisited during the year to assess need for Audit coverage.